

PT JAPFA COMFEED INDONESIA Tbk



# INVESTOR PRESENTATION

1Q2023

**Sinergi untuk Masa Depan  
Yang Berkelanjutan**  
*Synergy Towards  
A Sustainable Future*



# Index

**Company Overview**

**Key Investment Highlights**

**Financial and Operational Highlights**



# COMPANY OVERVIEW

# Company Overview

Core competencies across the value chain



# Industrialized approach drives operational and financial benefits

## A Scale

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- 2<sup>nd</sup> largest feed and DOC producer in Indonesia with significant scale across the value chain:
  - ✓ 16 feed mills, 77 breeding farms and 30 hatcheries across Indonesia
  - ✓ Over 100 company farms and +/- 8,500 contract farms
- Centralized procurement of raw materials with the broader Japfa Group

## C Biosecurity and Animal Health

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- Advanced biosecurity measures for disease prevention and control, comprising (i) isolation; (ii) sanitation and disinfection; and (iii) traffic control
- Stringent process adherence to prevent diseases
- In-house vaccine R&D and production unit, PT Vaksindo, improves efficacy and shortens response time to disease outbreaks

## B Technology and Genetics

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- Exclusive relationship with Aviagen (on broilers) for the sourcing of grandparent stock with superior genetics which is tailored for the Indonesian climate
- Advanced feed technology for quality control and optimal feed conversion ratios
- Modern farming techniques and industry best practices to further drive efficiency

## D Standardization

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- Ability to replicate farming best practices and infrastructural design across feed mills, breeding farms and hatcheries
- Mechanized production processes and established SOPs allow for consistency
- Opportunity to tap human resources across the Japfa Group facilitates standardization

# Japfa: Well positioned for long-term growth

## Poultry leader in Indonesia



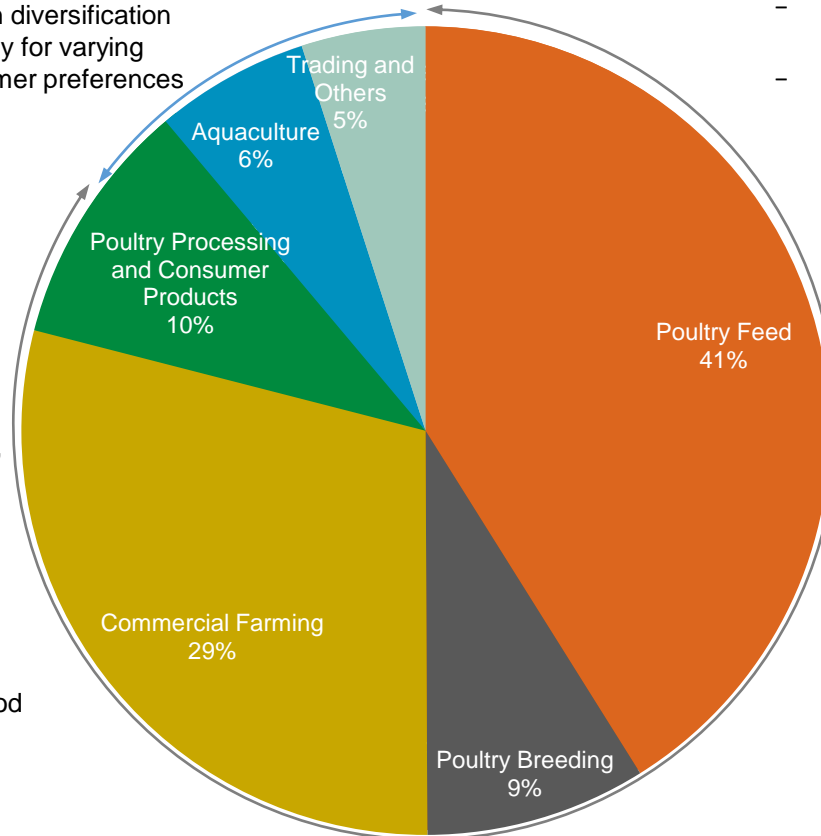
- DOC and Commercial Farming help drive sales volume for feed business
- Shift downstream via investment in slaughterhouses in order to reduce exposure to fluctuating farm gate prices.
- Acquisition of PT So Good Food, (SGF), providing vertical integration to overall operation, as SGF is known for among others:
  - (i) leading brands for consumer food
  - (ii) established network of marketing channels
  - (iii) has the experience, in-depth knowledge and leading technology in food processing and product marketing.



- Aquaculture is primarily a feed business with some farming overlay
- Protein diversification strategy for varying consumer preferences



- 2<sup>nd</sup> largest poultry feed producer in Indonesia
- Core business and stable segment of the value chain
- Cost plus pricing model provides the Company with the ability to pass on most commodity and foreign exchange currency movements



**Poultry-related activity:**  
89% of total revenue  
**Stable and growing core business**

**FY 2022 revenue: IDR 49.0 Trillion**  
**Diversification efforts to position company for long-term growth**



- 2<sup>nd</sup> largest day-old chick ("DOC") producer in Indonesia

Note: The % sales contributions from operational segments shown above are based on gross sales, which exclude elimination adjustments between segments.

# Growing responsibly

- Japfa’s animal protein business in Indonesia showed strong sales growth in the 2010 – 2014 period driven by strong poultry demand, which then stagnated in the 2014 – 2015 period. After the down-cycle, Japfa’s poultry business resumed growth in 2016
- New and non-essential Capex was frozen in 2020 and 2021 due to the impact of covid
- Japfa’s annual capex budget is primarily based on management’s expectations of market demand growth. However, we have the flexibility to adjust our capex spending roll-out during the course of the year because we “build small boats, not big ships” in our animal protein business. This allows Japfa to prudently manage cash flows

Strong annual growth for 4 year period

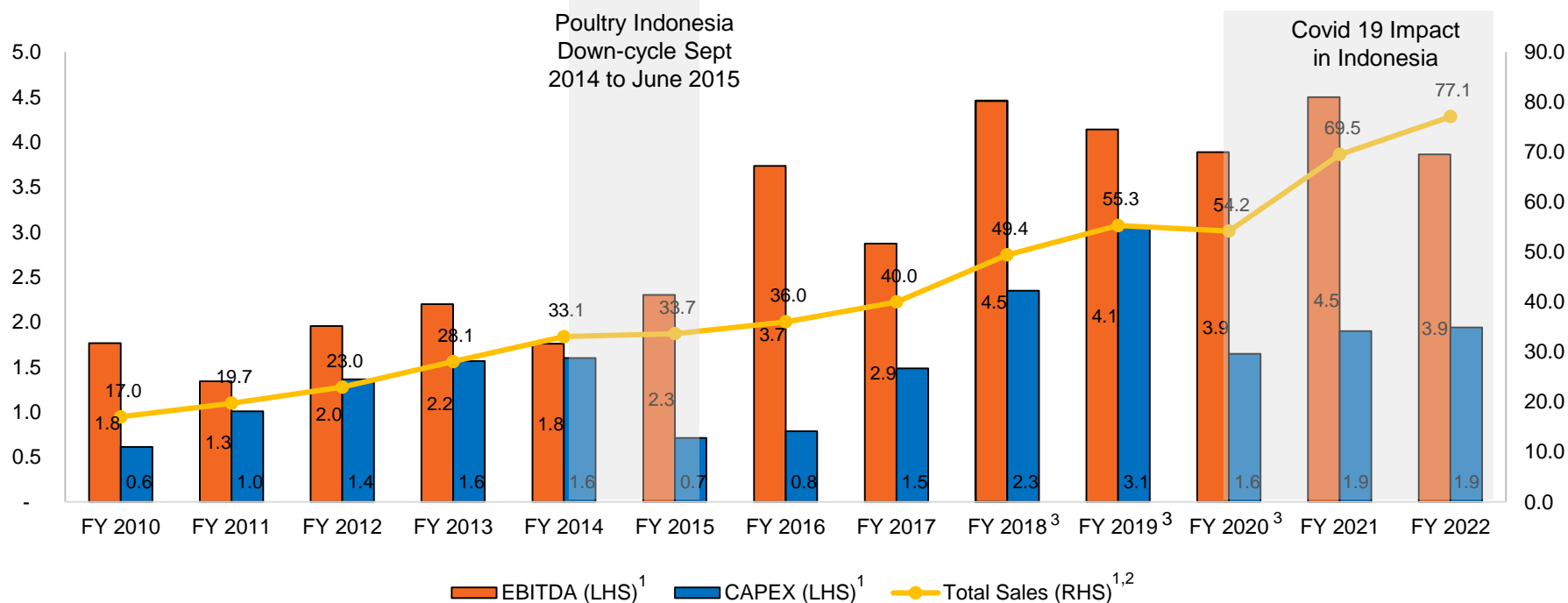
Stagnant demand

Strong Growth

Demand Adjusted

IDR trillion

IDR trillion



Notes:

<sup>1</sup> EBITDA, CAPEX, and Total Sales refer to PT Japfa Tbk consolidated financial statements

<sup>2</sup> Total Sales includes inter-segment sales within PT Japfa Tbk

<sup>3</sup> Certain prior periods' figures have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020

**KEY  
INVESTMENTS  
HIGHLIGHTS**





# Investment highlights

**1** Attractive industry dynamics driven by strong structural growth in protein consumption

**2** Leading integrated poultry national champion with nationwide footprint

**3** Core feed business offers stable profitability

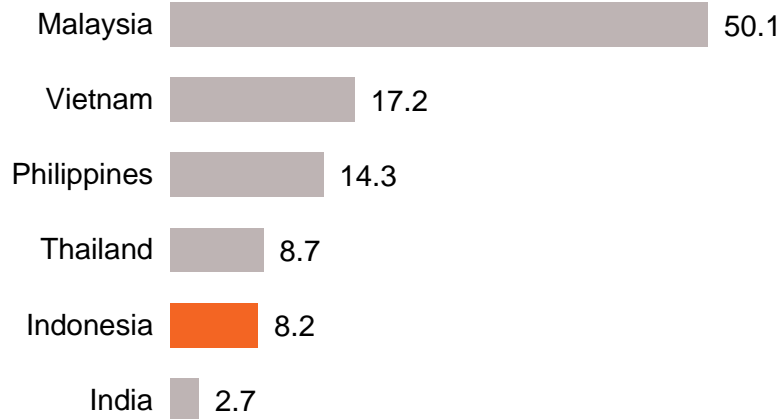
**4** Industrialised Business Model: Leading Market Positions

**5** Experienced and tenured management team

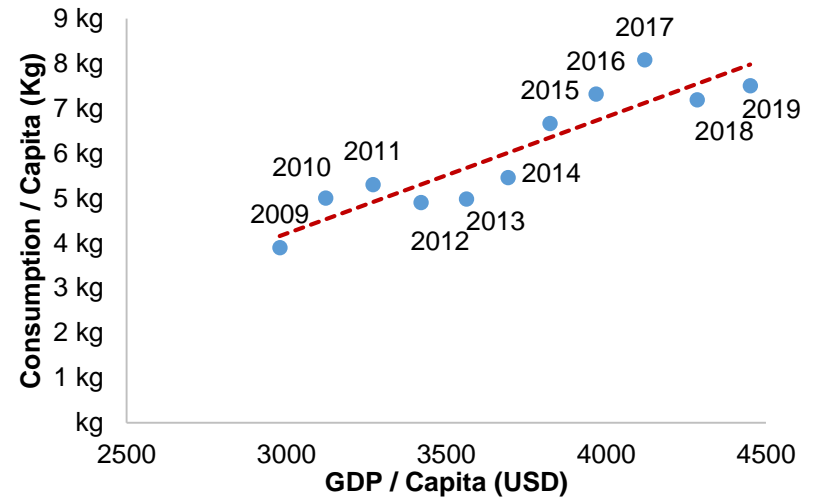


## Poultry Meat Consumption per capita in Asia

(kg per capita – 2022)



## Poultry meat consumption has increased in tandem with GDP in Indonesia

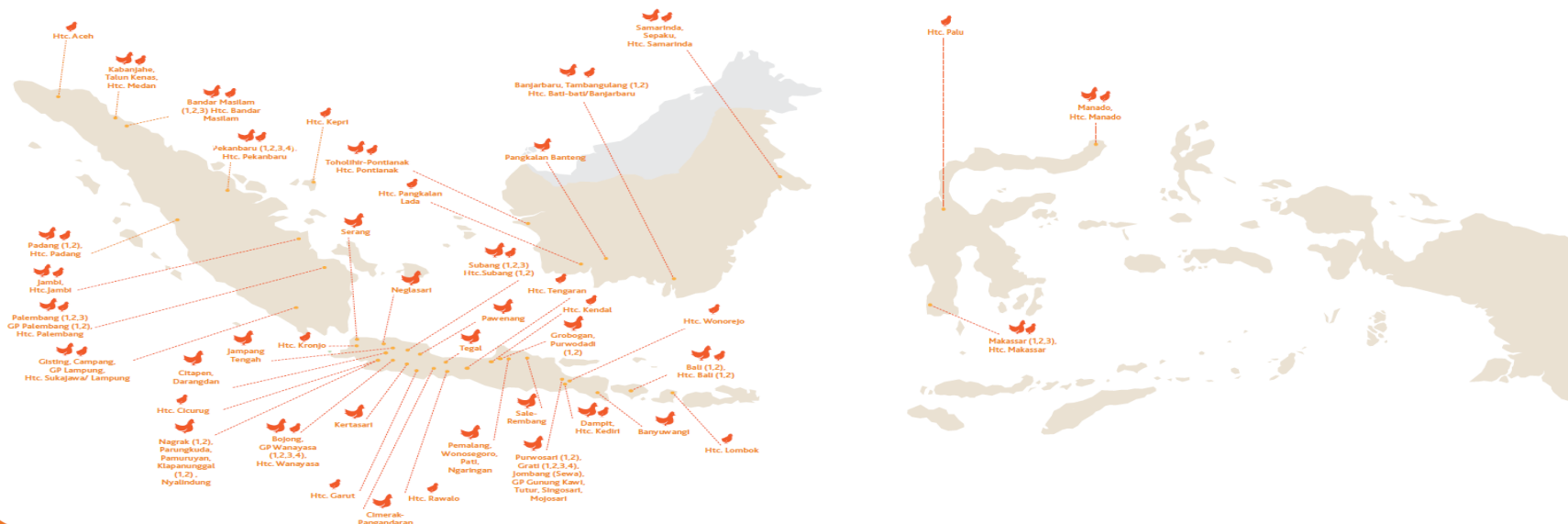


- Ample room for sustained growth in business locations with some of the lowest poultry consumption per capita rates in Asia
- “Meat-of-choice” given poultry’s relative affordability, religious neutrality, consumer preference and increasing penetration and popularity of quick service restaurants
- Potential upside as diets evolve to include more meat-based protein from the currently carbohydrate-heavy diets
- From 2009 to 2019, the poultry meat consumption per capita growth in Indonesia outpaced Indonesia’s GDP per capita, recording a 7.1% CAGR growth and 4.1% CAGR growth over the period respectively

2

# Well-established market leader in the Indonesian animal protein sector

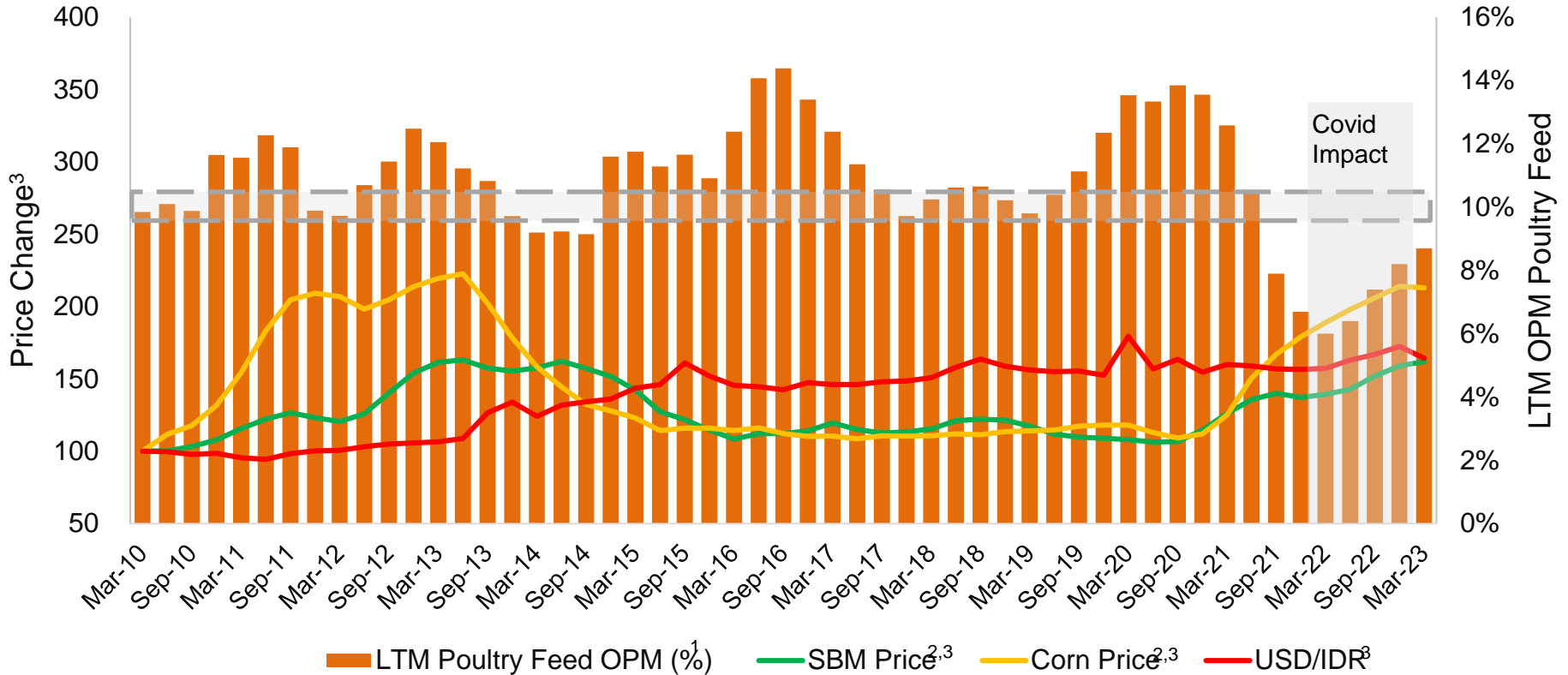
Nationwide footprint with presence in all major islands



- ☑ Significant economies of scale given procurement volume of raw materials, especially in conjunction with the broader Japfa Group
- ☑ Heritage of more than 50 years in the poultry industry provides brand recognition

- ☑ Logistical feat given that Indonesia is an archipelago; serves as a barrier to entry and helps defend the Company's market position
- ☑ Wide geographical reach offers unparalleled access to both poultry farmers and domestic corn producers
- ☑ Key to tapping pockets of demand across the country given the highly localized market, which is a result of (i) preference for live birds; and (ii) underdeveloped cold chain and transportation infrastructure

# Poultry Feed: Stable Base Margin



**Poultry Feed OPM has been stable around 10% - 11% as feed has the ability to effectively pass on fluctuations in raw material prices and currency to its feed selling price**

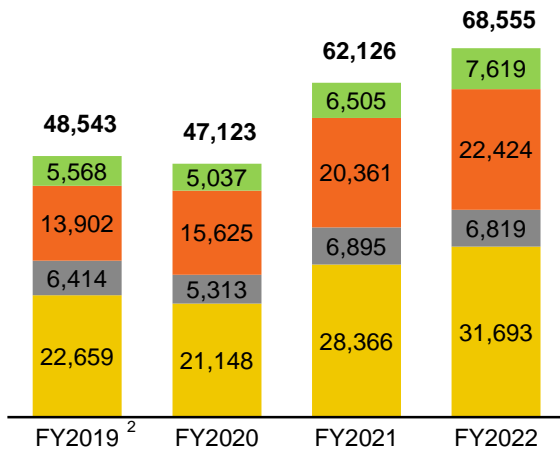
Notes:

1. LTM = Last Twelve Month.
2. Raw Material price sourced from Bloomberg – global market price.  
Since 2017, by government regulatory corn has been sourced locally, therefore the global market corn reference price no longer applicable.
3. The Normalized Price indicator graphs the price movement of an instrument using 100 as the base value for a user specified base date/time. The normalized value for each bar after the base date/time is the percent of the base price expressed as a whole number. (i.e. 100 times actual price divided by actual base price) This indicator shows the percentage move in price relative to some fixed starting point. For example in March 2010 USD/IDR was Rp9,115.

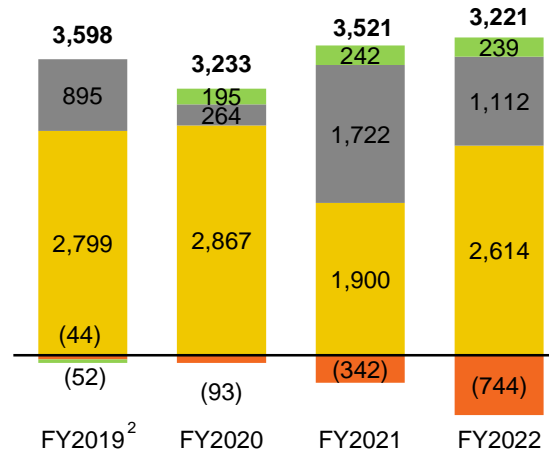
# Segmental Trends: PT Japfa Tbk (Poultry)



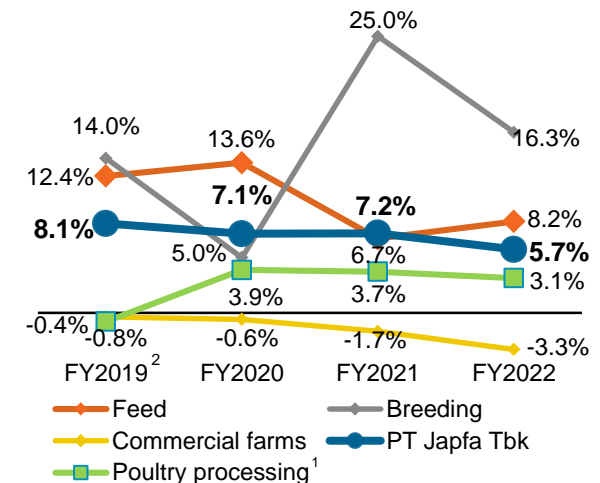
## Revenue (IDR Billion)



## Operating Profit (IDR Billion)



## Operating Profit Margin (%)



■ Feed ■ Breeding ■ Commercial farms ■ Poultry processing<sup>1</sup>

### Feed business continues to be a stable pillar of profitability in PT Japfa Tbk

- The poultry business (feed, breeding and commercial farms) represents the bulk of PT Japfa Tbk's revenue
- Despite challenges over the last 3 "Covid" years, the Operating Profit remains steady above IDR 3,000 Billion despite weak results from commercial farming over the last few years. With our vertically integrated operations, we can capture value at different points of the poultry supply chain
- We are generally able to pass on raw material costs increases in our feed selling prices, as reflected in our feed operating margins, even during the periods of Rupiah volatility and the poultry market downturn. Since 2021, margins were impacted by higher raw materials prices and transportation costs globally
- Operating profit in FY2020 decreased due to the low DOC and broiler price environment and Covid-19 related disruptions
- In 2021, we recorded higher revenue on the back of higher sales volumes. Although margins have tightened, profitability has improved on the back of strong growth in volumes
- In 2022, feed margin showed signs of recovery which partially cushioned the impact of a high-cost environment

Notes: The revenue figures for the poultry operational units shown above include inter-segment sales.

1. Poultry Processing refers to Poultry Processing and Consumer Products

2. Prior periods' figures 2019 have been restated to conform with the presentation in the audited consolidated financial statements as of and for the year ended 31 December 2020

# 3 Leading Pan-Asian Industrialised Agri-Food Company



## WHAT WE DO

We produce quality protein staples and packaged food that nourish millions of people



## WHERE WE ARE

We employ over 38,000 people across Singapore, Indonesia, Vietnam, Myanmar, India and Bangladesh



## WHY WE DO IT

1.7 billion people living in our target markets  
More than 20% of the world's total population

Pure-play integrated animal protein producer dedicated to Feeding Emerging Asia

# 4 Industrialised Business Model: Leading Market Positions

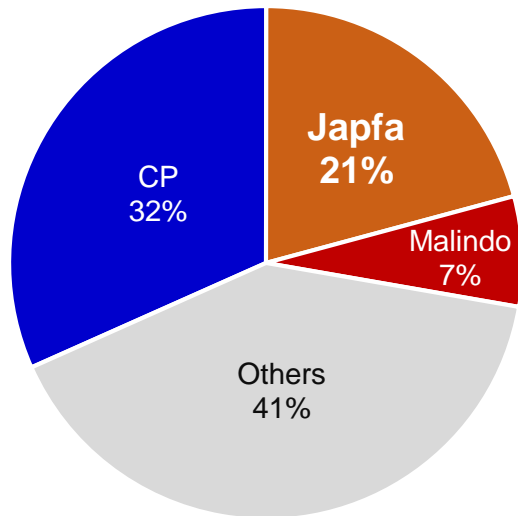
## Leading upstream regional market positions

DOC Production <sup>1</sup>	Vietnam	14%	#2
Poultry Feed Production <sup>1</sup>	Myanmar	18%	#2
DOC Production <sup>1</sup>	Myanmar	26%	#2

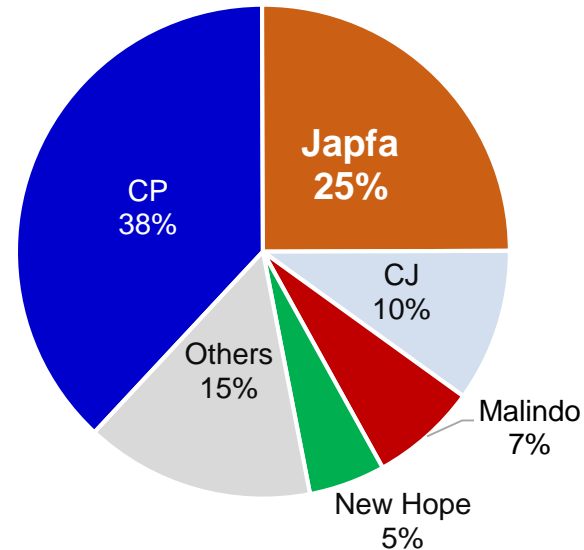


## 2nd largest Indonesian poultry feed and DOC producer<sup>2</sup>

Poultry feed production capacity market share (%)



DOC production capacity share (%)



<sup>1</sup>Company's own estimate, 2022 data

<sup>2</sup>Frost & Sullivan Analysis, 2021 data

5

# Experienced and tenured management team

## Proven track record of guiding the Company through various cycles



### Board of Commissioners\*



**Syamsir Siregar**  
President  
Commissioner

Year of agri  
experience: 17



**Bambang Budi Hendarto**  
Vice President  
Commissioner

Year of agri  
experience: 43



**Hendrick Kolonas**  
Commissioner

Year of agri  
experience: 26



**Ito Sumardi  
Djuni Sanyoto**  
Independent  
Commissioner

Year of Agri  
experience: 9

### Board of Directors\* and \*\*



**Tan Yong Nang**  
Vice President  
Director

Year of agri  
experience: 14



**Antonius Harwanto  
Suryo Sembodo**  
Director

Year of agri  
experience: 43



**Leo Handoko  
Laksono**  
Director

Year of agri  
experience: 33



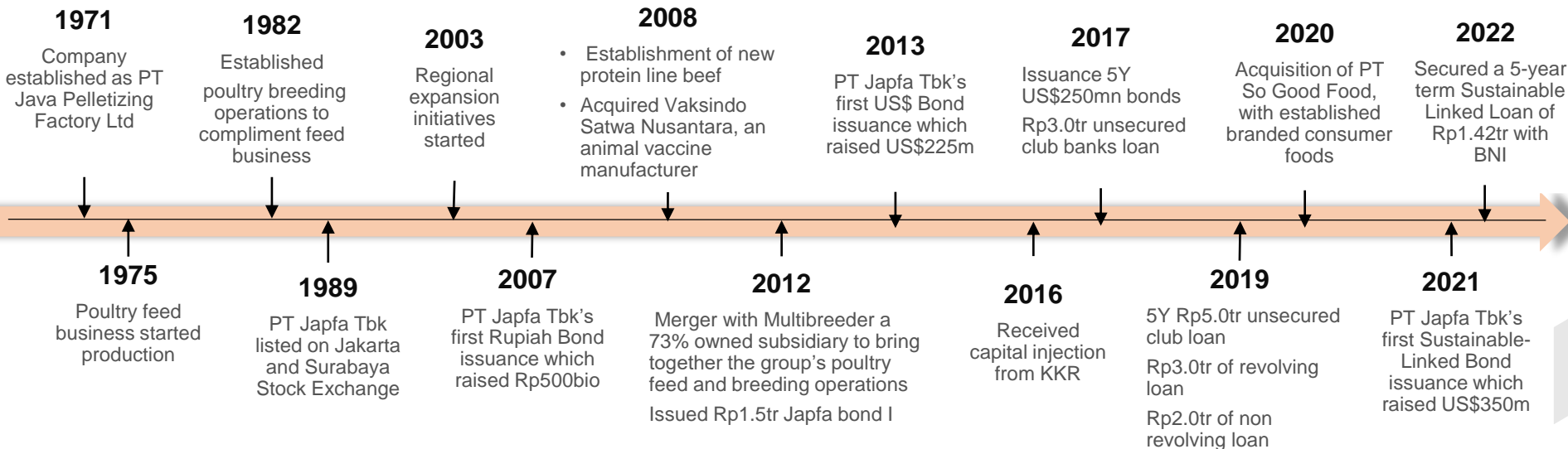
**Rachmat Indrajaya**  
Director

Year of agri  
experience: 14

### Timeline of PT Japfa Tbk: >50 years of 'best-in-class' poultry production

\*BOC and BOD as at 31 March 2023

\*\*Refer to Disclosure Information dated 26 September 2022

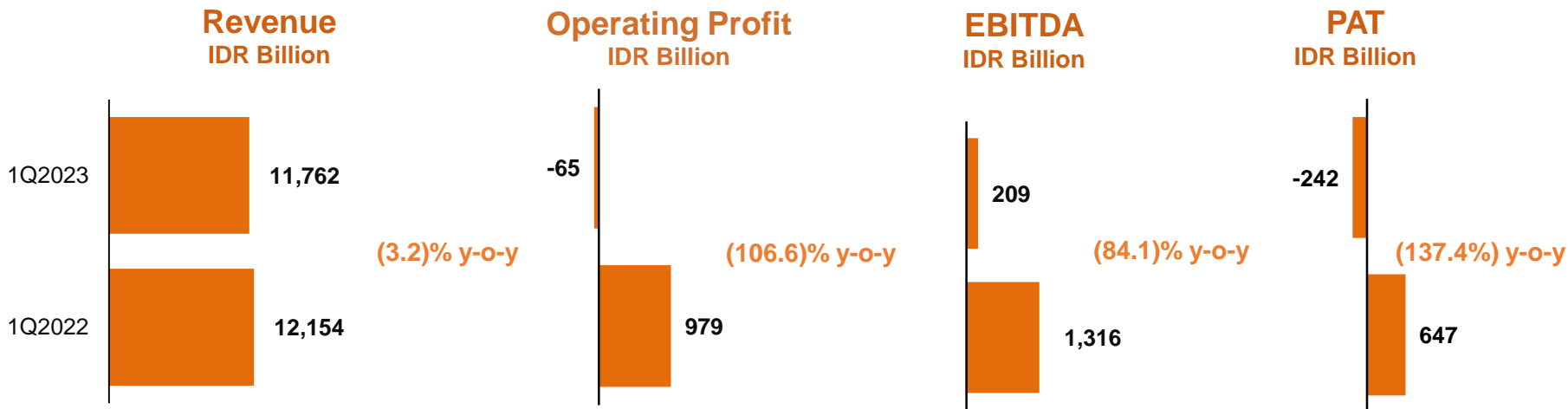






**FINANCIAL AND  
OPERATIONAL  
HIGHLIGHTS**

# PT Japfa Tbk – Financial Performance

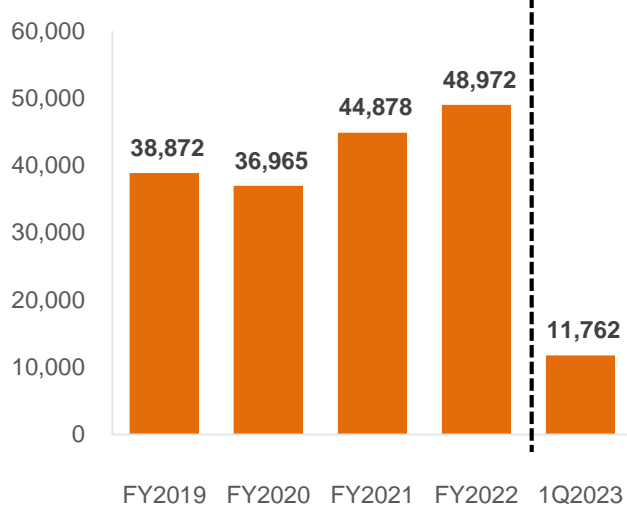


**Despite a high-cost environment, feed margins are holding up. However, weaker overall performance due to compressed DOCs and broilers margins**

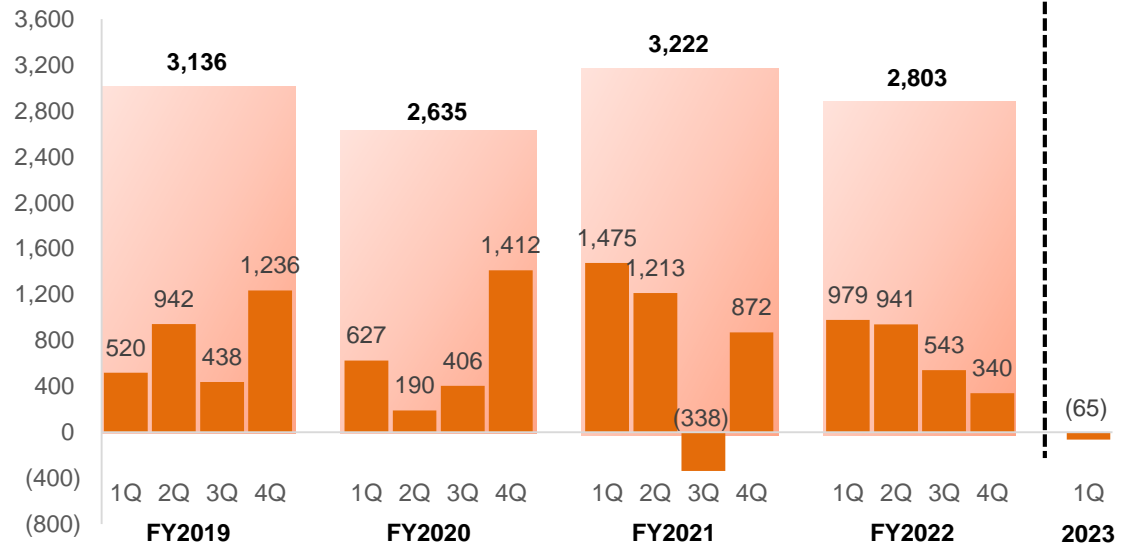
- Feed remains a pillar of profitability, with margins holding up against a high raw material cost environment. We continue to be able to pass raw material price increases in our selling prices.
- Revenue decreased mainly due to weak DOC and broiler ASPs.
- The weak performance in the quarter is result from the combination of:
  - High raw material cost environment continues to impact production costs;
  - At the same time, lower consumer purchasing power due to rising inflation continues to constrain the adjustment of average selling prices of our products;
  - The prolonged demand and supply imbalance in DOCs and broilers, which started in 2022, has continued in 2023.
- Going forward, the recent reopening of China is expected to improve prospects in the region, which could drive demand in Indonesia.

# PT Japfa Tbk : 4-year trend

**Revenue**  
IDR Billion



**Operating Profit**  
IDR Billion



Inflation

Covid-19

- DOC and broiler prices are prone to fluctuation according market demand/supply dynamics. This affects ASPs and profitability. This is reflected in the operating profit oscillating between quarters.
- Global macro-economic factors add to market dynamics:
  - In 2020 the Covid pandemic started in Indonesia and continues to date, affecting both demand and cost;
  - In 2022, the conflict in Ukraine put upwards pressure on raw materials cost;
  - In 2022, inflationary pressures started affecting consumer purchasing power and our ability to adjust ASPs of our products.
- Supply in Indonesia has progressively grown over the last few years in line with the expectations of demand growth for chicken, especially with the low per capita consumption. The impact of Covid and inflation has reduced consumer purchasing power and demand for chicken. This resulted in a prolonged demand and supply imbalance in DOCs and broilers.
- The quarterly cyclicality tends to even out – the long-term prospects of protein consumption remain solid.

# PT Japfa Tbk: Recalibrate growth plans



- In the light of the current challenging conditions, we have recalibrated our growth plans and prudently adjusted our Capex accordingly. This should limit the need for major additional funding. We have a proven track record to adjust capex roll-out according to the prevailing market situation. In 2Q2020, when Covid-19 first hit Indonesia, PT Japfa Tbk froze non-essential growth capex. This freeze has continued until over the last 3 years as reflected by the lower capex levels compared to FY2019.
- Streamline poultry breeding farm operations to improve efficiency and control costs.
- Cost tightening measures, such as a freeze of new permanent hires, business travel restrictions, etc.
- The Company will continue to strengthen its downstream business through the development of its poultry processing and consumer products business, as well as encourage retail sales growth through its retail outlets both offline and online.

# Major Global External Factors

- Geopolitical tensions, especially the situation between Russia and Ukraine, have caused disruptions to global economies, supply chains and commodities prices. These have impacted the cost of raw materials and consumer purchasing power
- Global inflationary pressures arising from interest rate hikes by central banks, high energy costs, supply chain bottlenecks and soaring production costs have put upward pressure on prices and ultimately affected consumer purchasing power
- Covid-19 entered into its third year and has continued to disrupt economic activity. Even though Covid-19 appears to diminish, with many countries including China progressively loosening movement restrictions, the situation remains fluid. A resurgence of Covid-19 may impact the global economy, affecting logistics, distribution and demand in our markets. Movement restrictions affect consumers' purchasing power, especially in the low-income band in emerging economies, dampening demand and impacting selling prices of our products
- These macroeconomic factors are largely outside our control. We will hold back on non-essential capex.
- As Japfa produces safe and affordable staple proteins, we remain confident in our long-term outlook; we have set a solid foundation for future growth, based on the prospects for protein consumption in emerging Asia

# Covid-19 Impact

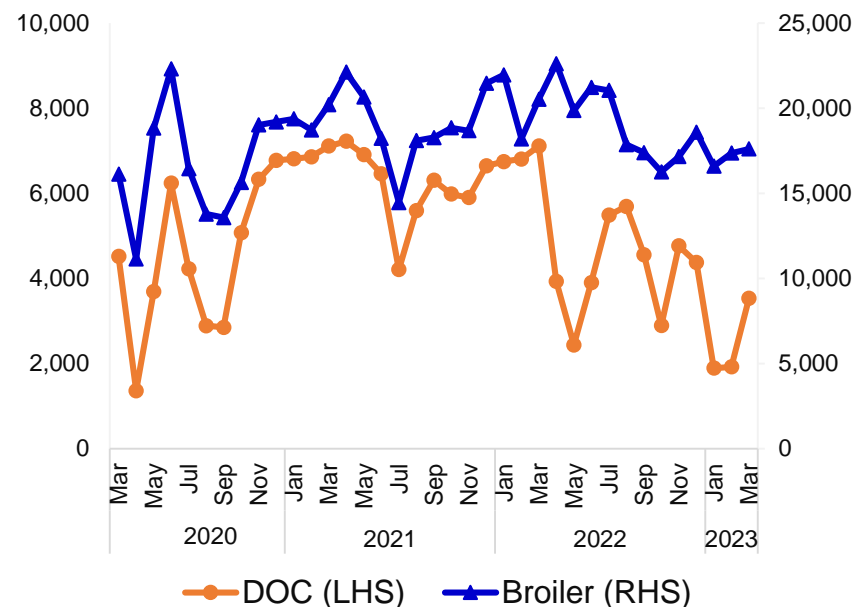
## Supply and Operations

As Japfa supplies about 20-25% of animal protein foods in many countries where we operate, we play an essential role in supplying staple foods. As such, the impact of Covid-19 on our operations has not been material and we continue to run our farms and feed mills safely. However disruptions in global logistics translated into higher costs of raw materials

## Demand - Poultry Indonesia

- Broiler and DOC prices dipped in 2Q2020 and 3Q2021 due to lower demand caused by Covid-19 movement restrictions and lockdowns. In 2022 Covid-19 continues to impact demand and prices for poultry
- Government initiatives to manage demand and supply of DOC, helped stabilise poultry prices

Average Monthly Prices of Broiler & DOC<sup>1</sup>

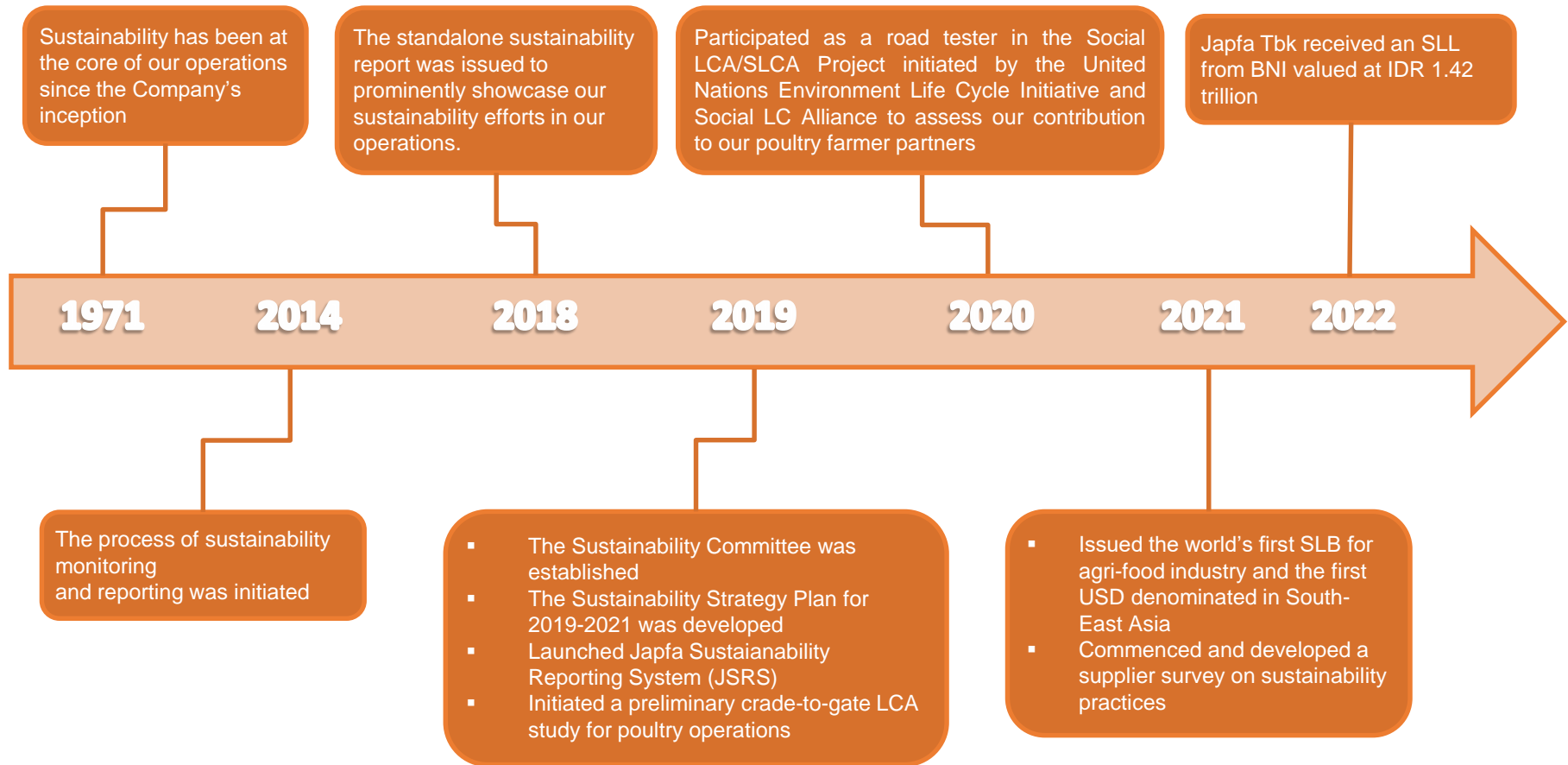


1. Average monthly prices of West Java, based on market data collected by the Company

Broiler prices refer to prices of live birds in the weight range of 1.6 kg to 1.8 kg. LHS and RHS refer to IDR price per bird.

2. DOC refers to day-old-chicks.

# Japfa Sustainability Journey



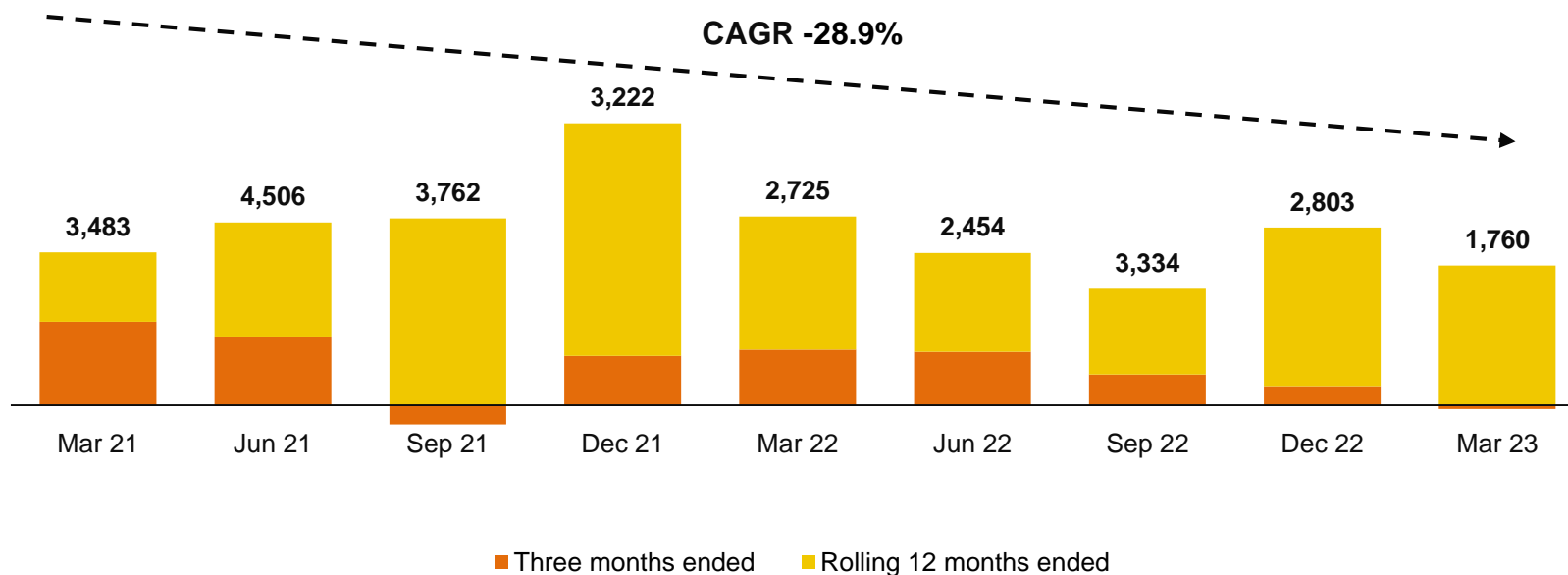
Our mission to be a leading dependable provider of affordable protein foods is aligned to **the United Nations Sustainable Development Goal (SDG) No.2: Zero Hunger**

# PT Japfa Tbk – Stable rolling operating profit



- PT Japfa Tbk is an agri-food business, hence will be subject to cyclicalities which directly impacts its revenue and profitability. Cyclicalities is dependent on a variety of external factors, which are beyond the Company’s control, including the seasonality of harvest and festivals, as well as macroeconomic factors that affect purchasing power and government policies.
- Feed remains as a stable pillar of profitability.
- Operating profit has been fairly stable on a rolling twelve month basis.

## Operating profit (IDR Billion)



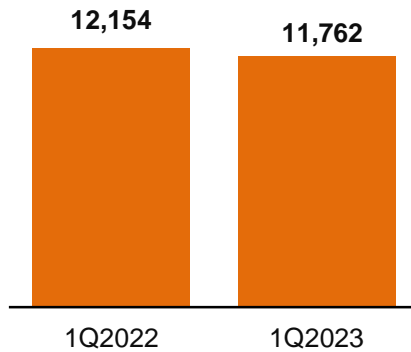


# Proven financial track record



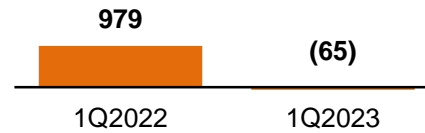
## Net Revenues

(IDR Billion)



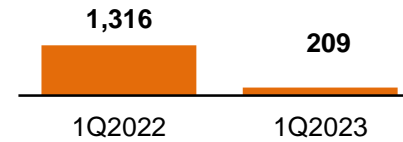
## Operating Profit

(IDR Billion)



## EBITDA

(IDR Billion)



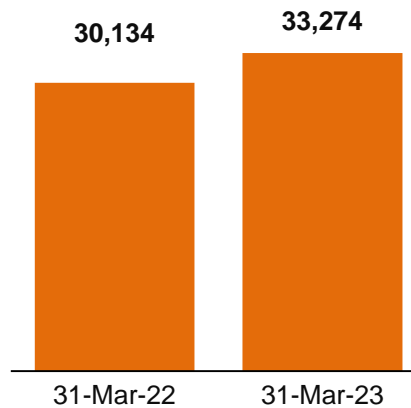
## Net Profit

(IDR Billion)

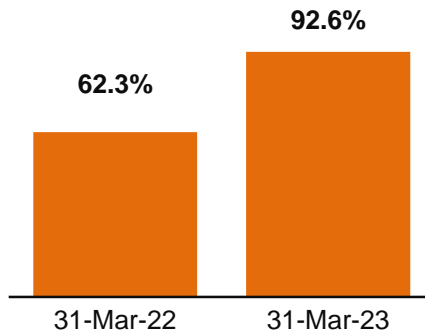


## Total Assets

(IDR Billion)

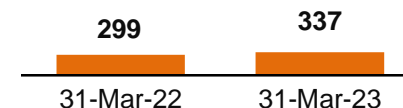


## Net Debt / Equity (%)



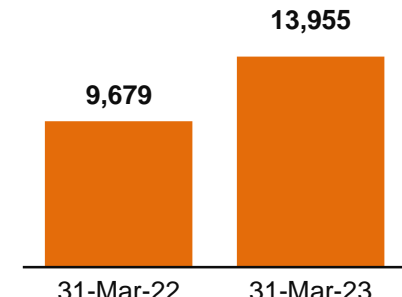
## CAPEX

(IDR Billion)



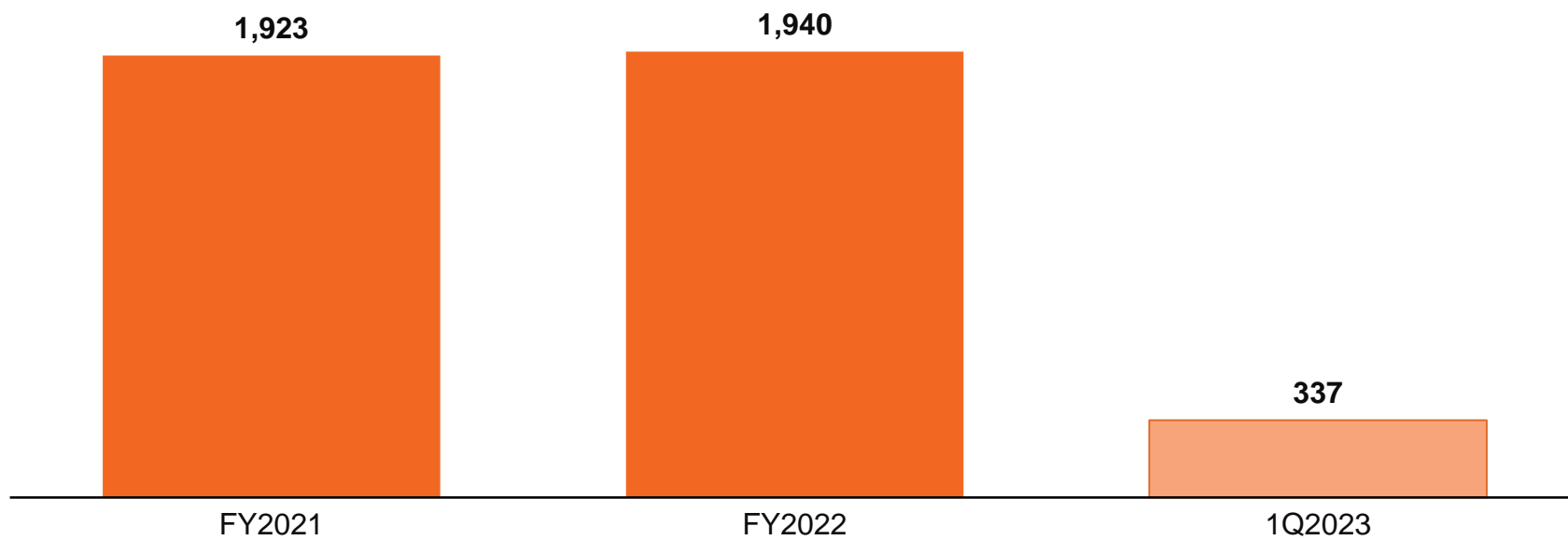
## Total Interest Bearing Debt

(IDR Billion)



# Capex

(IDR Billion)



# Thank You



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For further information, please refer to the Company's website [www.japfa.com](http://www.japfa.com).